

## Message Text

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ACTION COME-00

INFO OCT-01 EUR-12 ISO-00 EB-08 L-03 TRSE-00 CIAE-00

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/041 W

-----042295 181942Z /47

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FM AMEMBASSY ROME

TO SECSTATE WASHDC PRIORITY 8578

INFO AMCONSUL FLORENCE

AMCONSUL GENOA

AMCONSUL MILAN

AMCONSUL NAPLES

AMCONSUL PALERMO VIA POUCH

AMCONSUL TRIESTE VIA POUCH

AMCONSUL TURIN VIA POUCH

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DEPARTMENT PLEASE PASS USDOC

E.O. 11652: N/A

TAGS: BDIS,IT

SUBJECT: COCA-COLA SALES BAN LIFTED

REF: GENOA 0593

1. COURT ORDER ISSUED BY GENOA MAGISTRATE NOVEMBER 16, SEIZING ALL BOTTLED COCA-COLA IN ITALY ON GROUNDS OF NON-COMPLIANCE WITH LABELLING REGULATIONS(SEE REFTTEL), WAS SUSPENDED BY MAGISTRATE 24 HOURS LATE, PERMITTING SALE OF BOTTLED COKE ONCE MORE. MAGISTRATE SUSPENDED SEIZURE ORDER FOR 20 DAYS, DURING WHICH TIME COMPANY IS TO PLACE PLACARDS AT ALL POINTS OF SALE IN ITALY, LISTING INGREDIENTS OF COCA-COLA EXACTLY AS THEY ARE CURRENTLY LISTED ON BOTTLECAPS. IF LATTER NOT COMPLIED WITH, PRODUCT IS SUBJECT TO SEIZURE AGAIN. THUS, COCA-COLA SALES RESUMED

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NOVEMBER 18.

2. MAGISTRATE'S SEIZURE ORDER DAY BEFORE RESULTED IN FEVERISH ACTIVITY ON PART OF PRESS, COMPANY, BOTTLING FIRMS, AND OFFICIALDOM. WHILE LEFTIST PRESS PRINTED ATTACKS, COMPANY LAUNCHED EFFORT TO OVERTURN MAGISTRATE'S ORDER ON SEVERAL FRONTS: WITH EMBASSY, WITH MAGISTRATE, WITH BOTTLING FRANCHISEES,

MEDIA AND POLITICIANS. IN THIS REGARD, COMPANY WAS FORTUNATE IN HAVING SEVERAL ALLIES/ A MAGISTRATE WHO IS NOT UNFRIENDLY TO MULTINATIONALS: LEGAL OPINIONS SUPPORTING THE COMPANY'S POSITION, AND PROSPECT OF 25 BOTTLING COMPANIES EMPLOYING 5000 WORKERS BEING SHUT DOWN--WITH EMPLOYEES GOING ON WAGE SUPPLEMENT FUND.

3. COMPANY DECIDED PROMPTLY TO GO DIRECT TO MAGISTRATE ARMED WITH MINISTRY OF HEALTH CIRCULAR OF 1972 WHICH ACCEPTED LABELLING ON BOTTLE CAPS AS SUFFICIENT FOR LABELLING PURPOSES: A SERIES OF FIVE DECISIONS BY THE ITALIAN COURTS WHICH REACH A SIMILAR CONCLUSION: AND OF COURSE ITS ARGUMENTS ABOUT THE ILL EFFECTS ON THE JOBS OF WORKERS INVOLVED. IN MEANTIME, COMPANY ASKED THE EMBASSY TO APPROACH THE MINISTRIES OF HEALTH AND INDUSTRY ON THIS PROBLEM, WHICH, INDEED, WAS SERIOUS BECAUSE IT RAISED THE QUESTION OF REPUTATION OF CACA-COLA--WITH REPERCUSSIONS ON WORLD MARKETS, AND EFFECTIVELY BLOCKED SALES ON THE ITALIAN MARKET--A \$120 MILLION ANNUAL BUSINESS. THE EMBASSY MADE CALLS ON BOTH MINISTRIES CONCERNED BASED ON FACT THAT THE MINISTRY OF HEALTH HAD ACCEPTED THE LABELLING CURRENTLY EMPLOYED, AND FIVE COURT DECISIONS FURTHER BUTTRESSED COCA-COLA'S PRESENT PROCEDURES. AT SAME TIME, PARLIAMENTARY DEPUTY WAS RAISING QUESTIONS AS TO EFFECT OF MAGISTRATE'S ORDER ON EMPLOYMENT, AND FRANCHISEE BOTTLER IN ACOLI PICENO FILED FORMAL COMPLAINT THAT SIMILAR PRODUCTS, E.G. CAMPARI-SODA AND CINZANO, WERE LABELLED IN IDENTICAL MANNER, BUT NOT SUBJECT TO MAGISTRATE'S ORDER.

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4. SUSPENDING ORDER, WHICH REPRESENTS CLEVER COMPROMISE WHEREBY NEITHER MAGISTRATE NOR COCA-COLA LOSE FACE, CAME WITH UNPRECEDENTED SPEED. ACCORDING TO TRADE SOURCE, MAIN REASON IS MAGISTRATE REALIZED HE HAD NOT DONE HIS HOMEWORK. HE WAS SURPRISED HIS ORDER WOULD CAUSE STOPPAGE IN BOTTLING PLANTS. NEVERTHELESS INQUIRIES AS TO HEALTH EFFECTS OF COCA-COLA CONTINUE ON THREE FRONTS: MINISTRY OF HEALTH FEELS OBLIGED TO CONDUCT PROMPT INQUIRY USING LATEST TESTING TECHNOLOGY, AND HEALTH DEPARTMENT OF GENOA AND MIOAN ARE CONDUCTING INQUIRIES OF THEIR OWN. COCA-COLA EXECUTIVES STATE THEY ARE NOT WORRIED ABOUT THE OUTCOME SINCE THEIR PRODUCT MEETS MINISTRY OF HEALTH, FOOD AND AGRICULTURE ORGANIZATION AND EC STANDARDS IN EVERY RESPECT.

5. COMMENT: THE FOREGOING STOP-GO SITUATION ON PART OF MAGISTRATE REPRESENTS ONE OF TRIALS OF DOING BUSINESS IN ITALY, WHERE A LOCAL MAGISTRATE HAS THE POWER TO ISSUE ORDERS OF SEIZURE AND WARRANTS OF ARREST THAT TAKE EFFECT THROUGHOUT THE COUNTRY. SUCH ACTION IS ESPECIALLY HARMFUL AT THIS TIME, WHEN THE GOI IS SEEKING TO PROMOTE FOREIGN INVESTMENT IN ITALY. THE LATTER ARGUMENT WAS NOT LOST ON THE MAGISTRATE, WHO REPORTEDLY LISTENED ATTENTIVELY ABOUT THIS ASPECT WHEN THE COMPANY'S NEGOTIATOR WAS MAKING HIS CASE. HOLMES

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